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**THE DIRECTOR OF
CENTRAL INTELLIGENCE**

National Intelligence Council

The attached completed IIA was requested on short notice by the Department of State in anticipation that Moroccan King Hassan might meet with senior US officials next week in New York. State was specifically interested in our assessment of the economic benefits to Morocco from the union with Libya.

INTERAGENCY INTELLIGENCE ASSESSMENT

10 October 1985

IIA 85-10006: Moroccan-Libyan Union: One Year Later

This Interagency Intelligence Assessment was prepared under the auspices of the National Intelligence Officer for Near East and South Asia. The assessment was coordinated at the working level within the Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, the Department of State, and the Intelligence organizations of the Departments of the Army, the Navy, and the Air Force; and the Headquarters, Marine Corps. Information available as of 9 October 1985 was used in preparation of this Assessment.

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10 October 1985

INTERAGENCY INTELLIGENCE ASSESSMENT
MOROCCAN-LIBYAN UNION: ONE YEAR LATER

SUMMARY

The year-old Moroccan-Libyan union was a product of pragmatic considerations on the part of two Arab leaders who continue to have divergent long-term interests in North Africa. Both partners have achieved what they perceive as useful benefits from the union, although the costs so far have been far greater for Moroccan King Hassan. We see nothing on the horizon to suggest an early end to the union.

Hassan claims the union is a means to eliminate Tripoli's support to the Polisario Front. More importantly, it should be seen as a strategic challenge to Algeria, and as an attempt to ease Morocco's pressing economic and social problems that had sparked riots in January 1984. Libyan leader Qadhafi views the partnership as a major coup in his efforts to enhance his international standing, isolate Algeria, and in turn to counter US attempts to isolate him. He also hopes to use Morocco as a conduit to obtain restricted US equipment and spare parts, particularly for Libyan aircraft.

Hassan's benefits so far have been primarily economic. Since the union, he has received around \$150 million in aid from Qadhafi as well as a growing, but still small, market for Moroccan agricultural exports and jobs for Moroccan workers. These gestures, however, have fallen far short of making the union the great economic panacea touted by Hassan at the time the agreement was signed.

The benefits to Qadhafi have been several, and have entailed little cost. Morocco is no longer a center of Libyan dissident activity and Hassan has toned down considerably his comments on Libyan subversion in Sudan and Chad. Algeria has been strategically challenged. Morocco is less supportive of moderate Arab efforts related to the peace process. Moreover, Moroccan goods have helped ease a crippling shortage in Libya of essential consumer goods that has prompted unprecedented criticism of Qadhafi's policies. Nonetheless, increased Algerian animosity may ultimately prove to be the biggest drawback to Qadhafi.

The union's drawbacks have been almost exclusively borne by Hassan. He has suffered a public and nettlesome setback in his relations with Washington and has exacerbated an already deteriorating situation with neighboring Algeria.

Moreover the union has strengthened Algerian determination to

challenge Morocco, and Algiers has successfully widened diplomatic recognition for the Polisario during the past year.

On balance, we believe that Morocco would be the more likely of the two to end the pact. Hassan might allow the treaty to atrophy if Qadhafi does not continue to provide sizable amounts of economic aid, particularly if the opposition tries to develop Libyan assistance into a major political issue. The King might even break openly with Libya if Qadhafi insisted on closer military cooperation or on Rabat's adopting a more anti-US and anti-Israeli stand. Hassan almost certainly would denounce the union if Moroccan security uncovered clear evidence of Libyan-sponsored threats to his regime or if Qadhafi resumed supplying the Polisario. If Rabat did abrogate the pact, Qadhafi would turn sharply on Hassan, and seek to overthrow him.

Hassan wants to maintain close relations with the United States, but fears Washington will take more significant punitive action against him. Of particular concern would be a large cut in US economic and military assistance; he is already sensitive to slights in protocol to himself and senior Moroccan officials. If Moroccan-US relations were to severely deteriorate, Hassan could terminate the joint military access agreement and US use of [redacted] facilities in Morocco, despite the strategic and financial costs such a step would entail.

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Background of the Oujda Union

The rapprochement between Morocco and Libya began in late June 1983 when, with Saudi encouragement, King Hassan agreed to see Colonel Qadhafi. Qadhafi, frustrated by the failure of his efforts to obtain the chairmanship of the Organization of African Unity and Libya's isolation in the Arab world, had asked Riyadh to approach Hassan. During the visit, Qadhafi promised to withdraw his military support to the Polisario Front, and Hassan agreed in turn to withdraw support for Libyan dissidents and not to act against Libyan interests in Chad. Qadhafi kept his word and, further sweetening relations with Hassan, bestowed substantial economic favors on Morocco. During the intervening period prior to the union, Libya reportedly gave Morocco a \$100 million grant, \$192 million in credits, and accepted an estimated 10,000 Moroccan workers. Tripoli also supplied oil on favorable terms and provided an important market for Moroccan agricultural exports.

Hassan has publicly acknowledged that he began to consider the idea of a union in mid-July 1984. Hassan claims that the Western Sahara conflict was the major factor in the decision.

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The timing of the accord also suggests that the King viewed the union as a quick way to relieve growing domestic pressure over Morocco's deteriorating economic and social conditions. Widespread riots in January 1984 brought home to Hassan the severity of the domestic situation. He faced potentially disruptive parliamentary elections in mid-September 1984, a shortfall in anticipated aid from Western benefactors--especially the US--and considerable disgruntlement over planned cuts in education subsidies.

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The King almost certainly believed that promises of additional Libyan economic aid and new jobs would take some of the pressure off the domestic front.

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Hassan and Qadhafi signed the Arab-African Federation, as the union is formally known, on 13 August 1984 at Oujda, Morocco.

Libyan Largesse: Is the Well Half Full or Half Empty?

At the outset, King Hassan encouraged the popular belief that under the union Libya would provide about \$1 billion to Morocco.

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[redacted] the King still may hope to receive substantial assistance.

Since the union, Libyan financial assistance has totalled about \$150 million:

- As part of this assistance, Tripoli advanced \$50 million to Rabat in September 1984 to finance some of Morocco's international bank loans that had come due and to pay for Hassan's daughter's wedding.
- Tripoli extended a \$100 million concessional loan to Rabat in May 1985 to support the purchase of 500,000 tons of Libyan crude oil--10 percent of Morocco's annual needs.

In addition, Saudi Arabia gave 2 million tons of crude oil, which covered Morocco's total oil needs for six months and saved Rabat nearly \$400 million in foreign exchange. The grant was nearly double what the Saudis had given Hassan the previous year, and, in our view, was a sign of Riyadh's approval of the rapprochement.

Libya is providing a market for Morocco's agricultural and manufactured exports at a time when Rabat's traditional markets in Western Europe are drying up because of Spain's and Portugal's entry into the European Community. Moroccan exports to Libya totaled \$34 million in 1984, equal to Rabat's exports to the United States. Since the union accord, bilateral trade is up 200 percent, but still only represents 5 percent of Morocco's total trade. Morocco hopes to raise the total annual exports to Libya to \$100 million by 1986, but this may be optimistic in view of recent evidence of Libya's failure to pay its bills.

A particularly attractive part of the union agreement for Hassan was Qadhafi's offer to increase substantially the number of Moroccan workers in Libya. Rabat already has a severe unemployment problem--30 percent of the urban labor force--and faces even greater difficulties as Moroccan workers return because of declining job availability in Western Europe. Worker remittances are Morocco's most important single source of foreign exchange--\$870 million in 1984.

As part of his campaign to sell the union, King Hassan promoted the belief that Tripoli initially would take up to 80,000 Moroccan workers, but we believe the increase to date has been about 8,000. Moroccan officials state that an average of around 1,000 workers enter Libya each month.

[redacted] Most of those who do find jobs are skilled or professional workers rather than Morocco's large body of unskilled and unemployed laborers.

Morocco may benefit marginally from the recent expulsion of large numbers of expatriates from Libya. Tripoli agreed to raise the number of authorized Moroccan worker entries to 450 workers per week beginning 1 September 1985, and to employ 1,000 Moroccan teachers. Even with these gestures, however, Libya clearly has not materialized as a significant safety value for Morocco's unemployed.

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What's In It For Qadhafi?

The union is an effort to fulfill some of Qadhafi's goals. For example, Morocco is no longer being used as a training ground for Libyan dissidents

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Qadhafi also hopes the union will be viewed in the region as an example of Libyan cooperation with moderate Arabs and will preempt US and Algerian efforts to isolate him in the Middle East. For Qadhafi, the union symbolizes his ideological commitment to Arab unity and he holds it out as an example of Arab states with different political systems working together. In addition, Qadhafi has used his cut in support to the Polisario and the economic benefits to Morocco as an example to persuade other states facing Libyan-supported local insurgencies and financial pressures--such as Sudan and Somalia--to strike a deal with him. Such exhortations are accompanied by frequent reminders from Qadhafi of US unwillingness to back up its verbal condemnation of the union with concrete actions against Hassan.

Qadhafi has derived real political benefits from the union. Hassan has remained quiet on Libya's continued subversion in Sudan and has refused requests from Chadian President Habre to provide him with troops and other logistical support. Indeed, Hassan is playing a key role in attempting to arrange a summit meeting between Qadhafi and Habre. The King also has taken a more restrained position on other Middle East issues, including a noticeable lack of support for both the Hussein-PLO peace initiative and Jordan's resumption of diplomatic relations with Egypt. Closer to home, Hassan's behavior during the current tension between Libya and Tunisia is in marked contrast to his response following a Libyan commando raid on Qafsa in 1980. At that time, Hassan sent helicopters as a gesture of support for Tunisia; during the present crisis, he has only sent two envoys in a mediation effort.

The union also has been advantageous for Qadhafi domestically. Libyans burdened with austerity at home can now travel to Morocco and purchase goods in short supply or unavailable in Tripoli. Moreover, Morocco's willingness to barter agricultural goods for oil has helped Libya alleviate shortages of fruits and vegetables. Finally, Moroccan technicians allegedly have provided occasional, much-needed maintenance on Qadhafi's US-manufactured civilian aircraft.

The Costs of Union

As with any marriage of convenience, Qadhafi and Hassan have not hesitated to do things which have irritated the other partner. Tripoli's recent "strategic alliance" with Tehran, for example, prompted a strong response from King Hassan, who viewed that development as a threat against his and other moderate Arab monarchies. Moreover, the early departure of the Libyan delegation from the recent Arab League summit hosted by Morocco--as well as Tripoli's condemnation of the Bright Star-85 military exercises involving the United States, Morocco, and other moderate Arab states--embarrassed the King and highlighted the gulf between Hassan and Qadhafi on key security and diplomatic issues in the Middle East.

Hassan also realizes that the union has damaged his relationship with Washington and has jeopardized acquisition of much needed credits and weapons. Moreover, Moroccan government officials are concerned that the union has accelerated the warming of ties between Algiers and the United States. Rabat probably believes that the Algerians will try to recruit the United States to support its position on the Western Sahara problem and to pressure Hassan into a settlement.

The union also poses some domestic problems for Hassan. In particular, it has resulted in a sizable influx of Libyans which increases the potential for Qadhafi to make trouble for Hassan, especially if the union fails. Moroccan security officials are concerned about the problems in monitoring Libyan activities in Casablanca and other urban centers. They are particularly worried about the lack of immigration controls over Libyans entering Morocco.

For Qadhafi, the costs of union have been minimal so far, but he does have his own frustrations with it. He is particularly disappointed and angered that Hassan has refused to come to Tripoli for a state visit. Libyan officials also are frustrated by Morocco's reluctance to cooperate on defense, as called for in the treaty, and by its refusal so far to provide embargoed US spare parts for Libya's inventory of US-manufactured aircraft.

In the longer term, the implications of the Moroccan-Libyan union may be ominous for Qadhafi. The union has served to polarize North Africa and to move Algeria toward a collision course with Qadhafi. During the past year, Algeria and Egypt have moved into a closer relationship, based mainly on their opposition to Qadhafi. Tunisia, likewise, has expanded

its defense relationship with Algeria and improved its ties to Egypt. While this polarization of North Africa is not due solely to the Moroccan-Libyan union, we regard the union as a catalyst for heightened regional tension and more active efforts by Qadhafi's neighbors to stymie him.

Prospects for the Union

On balance, both Hassan and Qadhafi believe they have secured enough political or economic benefits at an acceptable cost to encourage them to continue and even enlarge their association. Both derive considerable advantage from the union in their efforts to balance Algeria's power in the region. Hassan almost certainly will continue the union as long as Qadhafi backs Morocco on the Western Sahara and does not interfere in Moroccan internal affairs. He will also expect Libyan economic support to help keep a lid on Rabat's financial problems and to provide jobs for Moroccan workers. The Libyan leader, for his part, will look to Morocco to continue to withhold support from Libyan dissidents, and will encourage Hassan to distance himself from Washington. Mutual suspicions and widely divergent foreign policies, however, will prevent the integration envisioned by the treaty.

There are some remaining aspects of the union, however, that still could be implemented. Heading the list is the provision regarding defense cooperation. So far Hassan has not approved establishment of the Defense Council. Nevertheless, if Morocco fails to acquire new ground force materiel from Western sources to replace aging US- and French-made equipment, we believe that Hassan would turn to Libya for finances or weapons. Moreover, direct hostilities between Algeria and Morocco probably would prompt Hassan to seek direct Libyan intervention, or at least a show of force, along the Libyan-Algerian border. Hassan, in our view, would most likely stop short of asking that Libyan soldiers fight alongside Moroccans.

Continuation of the union also offers some potentially significant benefits for Qadhafi. An example is Rabat's offering to represent Tripoli in foreign capitals where Libya has no official presence. Qadhafi is certain to try to use this access in these cities to establish links with local opposition groups. Despite assurances from the Moroccans, Rabat could still be a conduit for passing US embargoed goods, particularly spare parts for Libyan aircraft. However, we believe this unlikely unless Moroccan-US ties had deteriorated significantly and Hassan believed he had little to lose from such a move.

Moreover, Morocco can always serve as an important transit point for Qadhafi's efforts to strengthen Libya's military presence in Latin America. Although Rabat allegedly has turned aside numerous Libyan requests for air transit rights,

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On balance, we believe that Morocco would be the more likely of the two to end the pact. Hassan might allow the treaty to atrophy if Qadhafi does not continue to provide sizable amounts of economic aid, particularly if the opposition tries to develop Libyan assistance into a major political issue. The King might even break openly with Libya if Qadhafi insisted on closer military cooperation or on Rabat's adopting a more anti-US and anti-Israeli stand. Hassan almost certainly would denounce the union if Moroccan security uncovered clear evidence of Libyan-sponsored threats to his regime or if Qadhafi resumed supplying the Polisario. If Rabat did abrogate the pact, Qadhafi would turn sharply on Hassan, and seek to overthrow him.

Implications for the United States

Hassan almost certainly calculated that the agreement would cause some cooling in his relationship with the United States, but underestimated the depth of Washington's negative reaction to the union. We believe, however, that Hassan is sincere in telling US officials that he wants to maintain close relations with Washington. He will continue to use any signs that Libya has turned over a new leaf--an unlikely occurrence in our view--to remind US officials that dialogue is the only way to tame Qadhafi and that the United States should join the effort. For his part, Qadhafi will continue to use cooperation with Morocco to enhance his international standing, to encourage other moderate governments to improve relations with Tripoli, and to persuade other Arab states to join the union. He also may hope the agreement will lessen US pressure on Libya.

Hassan will be watching closely for indications that the United States wants to redefine its relationship with Morocco. He will remain sensitive to Washington's continued refusal to send senior US officials to Rabat or to extend what he views as appropriate courtesies to himself and other Moroccan leaders. His wish to limit the damage to US-Moroccan relations gives the United States some leverage with him on such issues as technology transfer and intelligence matters. On the other hand, Hassan's personal prestige is so heavily engaged in the union that--as he has already amply demonstrated--he will strongly resist any external pressures to abrogate it. Indeed, he may even use the Libyan deal as a bargaining chip to obtain new aid from the West. Hassan will consider any cutback in bilateral programs with Washington as a punitive action.

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Continuation of the union will exacerbate political differences in North Africa. For example, the Libyan expulsion of foreign workers--particularly Tunisians--has complicated Hassan's relationship with Tunis. Hassan's effort to mediate the dispute was perceived in Tunis as one-sided and biased toward Libya. Moreover, the fact that Moroccan citizens--albeit in limited numbers--are the only ones so far being allowed to replace the expelled workers almost certainly will be seen by other states as further indication of Hassan's acting on Qadhafi's behalf.

The agreement remains particularly irritating to Algeria. Algiers continues to view the union as a tactical move by Morocco to block Algerian efforts to end the Western Sahara conflict and to promote regional unity. Algeria probably hopes that the personal incompatibilities between Qadhafi and Hassan will break up the pact. In the meantime, Algiers will continue to provide support to Libyan dissidents and could allow the Polisario to attack Morocco directly from Algerian territory--where Moroccan troops cannot hit them without risking a major confrontation with Algeria.

Appendix

Union Chronology

13 August 1984: Arab-African Federation signed at Oujda, Morocco by Hassan and Qadhafi.

Late August: Aviation cooperation agreement.

31 August: Referenda in Morocco and Libya approved union.

1 September: Moroccan Prime Minister visits Tripoli.

Mid-September: Moroccan aviation technicians assigned to assist Libya's airline.

Mid-September: Moroccan Minister of Cooperation named Secretary General of Union.

Mid-September: Libya provides \$50 million to help pay Morocco's international creditors.

26 September: Protection of personnel agreement signed.

26 September: Agreement on Morocco refining Libyan crude oil.

22 November: Transportation and Communication agreement signed in Tripoli.

Late November: Iron and steel industry cooperation accord.

9 December: Union Parliament met in Tripoli.

12 January 1985: Twin city programs established between Kenitra, Morocco, and Zaouia, Libya.

14-18 January: Discussion on joint cooperation in petroleum industry held in Morocco. Joint company for oil exploration formed.

15 January: Agricultural cooperation agreement signed in Tripoli.

Late January: Joint management seminar held in Tangier.

10 February: Expanded commercial aviation accord.

26 February: Moroccan delegation to Libyan People's congress.

March: Hassan announces plans to visit Tripoli, date to be announced.

2 May: Scientific and medical cooperation agreement signed.

6-7 May: The second meeting of Arab-African Union Assembly composed of 60 Libyan and 60 Moroccan parliamentarians in Rabat.

10 May: Libya provides \$100 million loan for the purchase of 500,000 metric tons of crude oil.

1 July: First shipment of Libyan oil under \$100 million loan received in Rabat.

1 August: Arab-African Chambers of Commerce Union established to promote trade and industrial relations.

15-16 August Meeting of Political and Economic Councils in Rabat.

19 August: Meeting of coordination committee of Unionist Action of Moroccan and Libyan engineers in Rabat to define joint engineering and technological cooperation.

19 September: Establishment of the Moroccan-Libyan holding company with \$40 million in capital to finance joint projects.